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Rolland Paper Company, Limited

1967 ANNUAL REPORT

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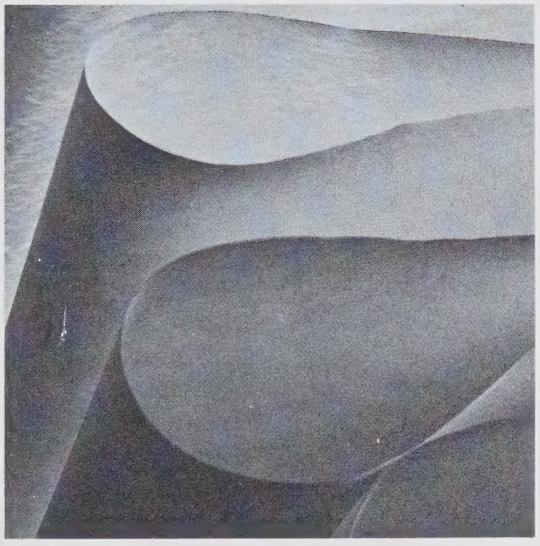
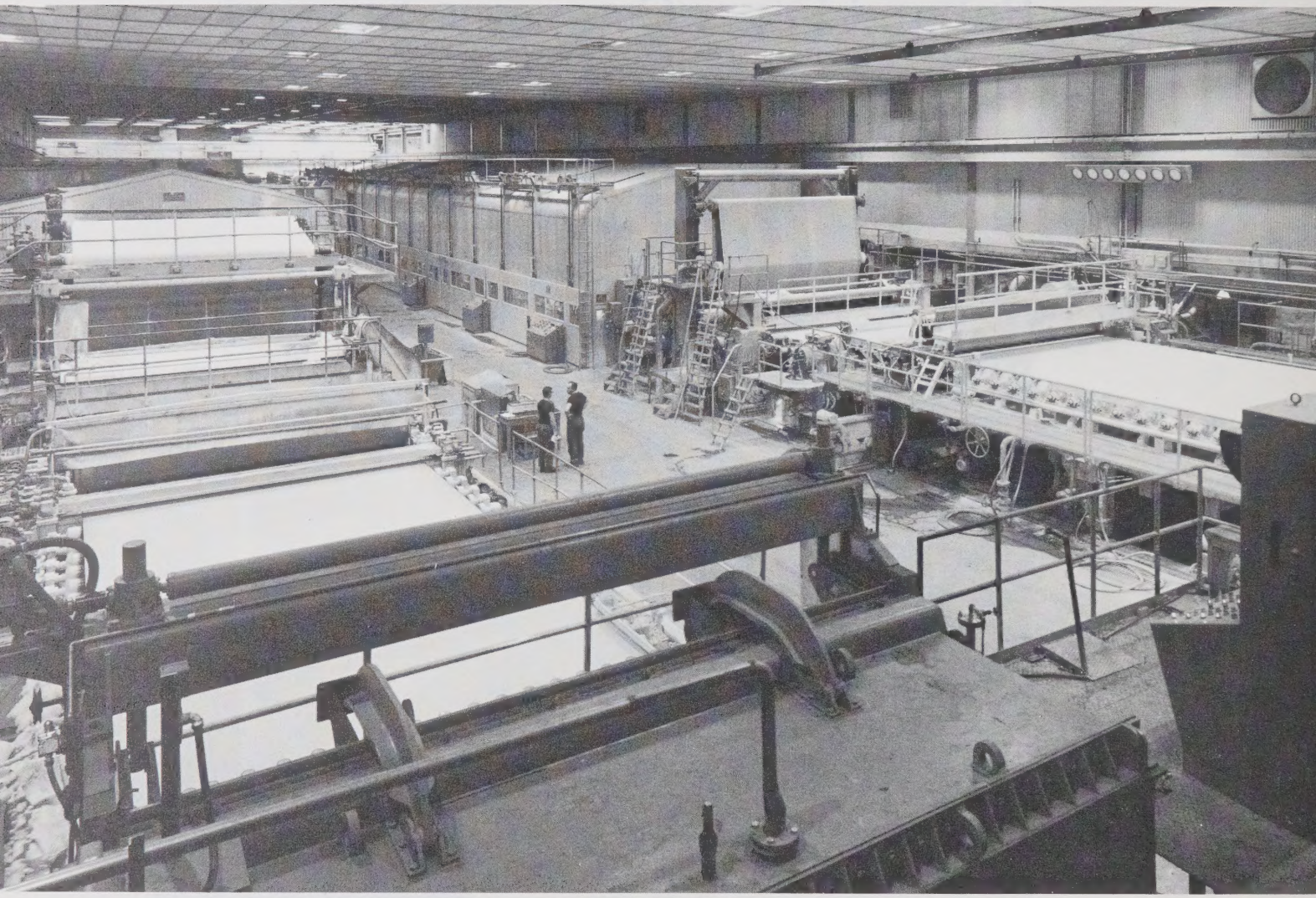
Front cover picture: Photographic reproduction of a sheet of rag paper moving through an air dryer where the paper acquires its rough or cockle finish.

Si vous préférez recevoir votre rapport annuel en français, prière d'aviser le Secrétaire, Compagnie de Papier Rolland, Limitée, 800 Place Victoria, suite 3620, Montréal 3.

40th Annual Report
Rolland Paper Company, Limited



The Annual General Meeting of Shareholders will be held at the Head Office of the Company, 800 Victoria Square, suite 3620, Montreal, Que. at 11:00 a.m., March 28, 1968.



Two modern and efficient production units: number 7 and number 8 paper machines at our St.Jerome mill.

Specialists in coated and uncoated printing papers

Head office:
800 Victoria Square, Suite 3620, Montreal 3, Quebec

Sales offices:
Montreal, Toronto, Quebec, London & Winnipeg

Paper Mills:
St. Jerome and Mont-Rolland, Que.

Coated Mills:
Scarborough, Ont.

Rolland Paper Company, Limited

Directors

G. DRUMMOND BIRKS, B.Comm.
Vice-President, Henry Birks & Sons Limited, Montreal, Que.

E. JACQUES COURTOIS,
Partner, Smith, Davis, Anglin, Laing, Weldon & Courtois, Montreal, Que.

ROY H. ECCLESTONE,
Retired executive, Town of Kirkland, Que.

GEORGE M. HOBART,
Chairman of the Board, Consolidated-Bathurst Limited, Montreal, Que.

RICHARD A. IRWIN,
President and Chief Executive Officer, Consolidated-Bathurst Limited, Montreal, Que.

†K. S. MACLACHLAN, B.A.Sc., O.B.E.
Retired executive, Toronto, Ont.

*GÉRARD PLOURDE, M.Comm.
President, UAP Inc., Montreal, Que.

*ALBERT ROLLAND,
Vice-President, Rolland Paper Company, Limited, Laval-sur-le-lac, Que.

*LUCIEN G. ROLLAND, B.A., B.A.Sc., C.E.
President and General Manager, Rolland Paper Company, Limited, Montreal, Que.

*MARC ROLLAND,
Vice-President, Rolland Paper Company, Limited, St. Jerome, Que.

OLIVIER ROLLAND,
Retired executive, Montreal, Que.

*JOSEPH A. WELDON, C.A., M.B.E.
Montreal, Que.

*Member, Executive Committee

†Deceased on January 2, 1968

Transfer agents

Montreal Trust Company

Royal Trust Company

Officers

LUCIEN G. ROLLAND,
President and General Manager

JOSEPH A. WELDON,
Vice-President and Financial Consultant

ALBERT ROLLAND,
Vice-President and Marketing Consultant

MARC ROLLAND,
Vice-President and Production Consultant

ANDRÉ ASSELIN, Eng.
Vice-President – Production

JEAN-LOUIS CHOLLET, Eng.
Vice-President – Research and Technical Services

HUGH M. CRAIG, B.Sc., Ph.D.
Vice-President – Sales

ANDRÉ DÉOM, C.R.I.
Vice-President – Personnel

C. MACKENZIE KING,
Vice-President – Sales Development

ALPHONSE ST-JACQUES, C.A.
Vice-President and Treasurer

HERMÉNÉGILDE A. LEBLANC, C.A.
Secretary

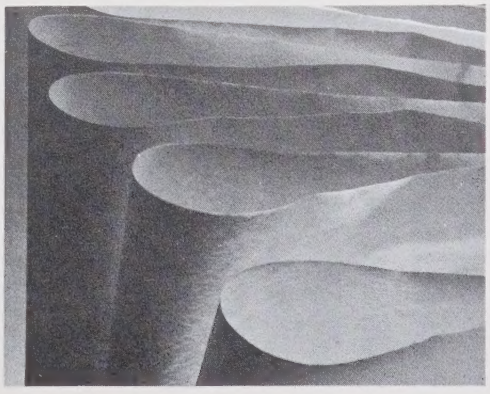
Registrars

Canadian Trust Company

Bankers Trust Company

Auditors

Touche, Ross, Bailey & Smart



highlights

	1967	1966	1965
TONNAGE			
Sales in tons	**83,972**	77,107	73,701
SALES AND EARNINGS			
Net sales	**$32,880,771**	$29,935,187	$28,290,544
Net earnings	**1,888,865**	1,728,405	1,766,326
% of net earnings to net sales	**5.7%**	5.8%	6.2%
Cash flow	**3,061,031**	3,993,637	4,115,390
PER SHARE*			
Net earnings per class "A" share	**1.01**	.92	1.00
Net earnings per class "B" share	**.96**	.87	.95
Cash flow per class "A" share	**1.64**	2.15	2.36
Dividends per class "A" share	**.40**	.40	.30
Dividends per class "B" share	**.35**	.35	.25
FINANCIAL			
Working capital	**$9,662,439**	$ 9,503,221	$ 8,390,715
Long-term debt	**9,748,000**	10,217,000	11,267,000
Capital expenditures	**1,637,832**	1,156,248	5,143,892

*Number of shares outstanding:
1966 and 1967 – 1,360,016 "A" and 480,008 "B" shares
1965 – 1,243,349 "A" shares (average number for the year) and 480,008 "B" shares.

LUCIEN G. ROLLAND,
President and General Manager

Directors' report to the shareholders

The Board of Directors have pleasure in submitting the Annual Report of your Company and its subsidiary, together with the audited consolidated financial statements for the year ended December 31, 1967 and the report of your Auditors.

results

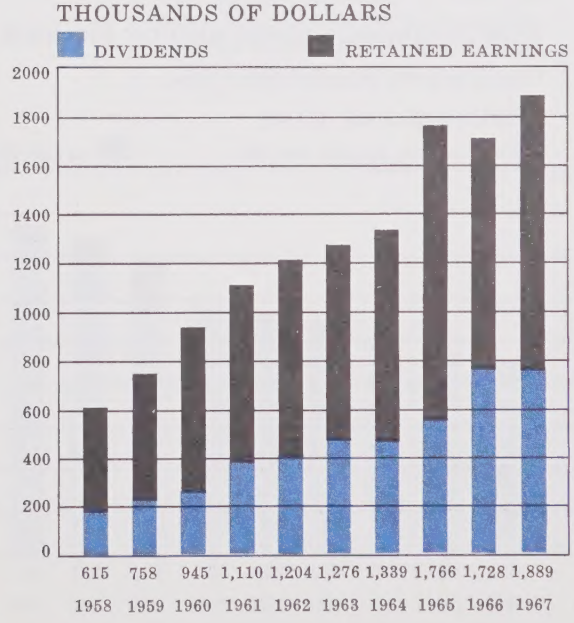
Net earnings for the year amounted to $1,888,865 or $1.01 per class "A" share and 96¢ per class "B" share. The previous year's net earnings were $1,728,405 and represented 92¢ per class "A" share and 87¢ per class "B" share.

The higher level of net earnings was due to an increased volume of sales.

The price increase which came into effect towards the end of 1966 was entirely offset by the higher costs of freight, salaries and wages and higher cash discount to merchants.

While results show an improvement over 1966, the cost of a strike, during that year, limits the value of the comparison. The real progress accomplished may be illustrated better by a comparison with 1965. The additional capacity available from the new No. 8 machine made it possible to increase sales by 16%, from 1965 to 1967, but higher overhead and operating costs limited to 7% the increase in net earnings.

Net Earnings



dividends

Four quarterly dividends of 10 cents per class "A" share and 8¾ cents per class "B" share were declared, bringing the total distribution to 40 cents per class "A" share and 35 cents per class "B" share. Total common and preferred dividend disbursements amounted to $773,522.

production and sales

The volume of demand for the products of the Fine Paper Industry was greater in 1967 than in the previous year: domestic shipments increased 3.7% but export shipments decreased by 1.4%.

Sales of your Company's products followed the Industry pattern in the domestic market, increasing in volume by 5% while a concentrated effort on export markets resulted in an increase of 48%. Export shipments now represent 12.4% of total shipments.

Total production shipped during the year was 83,972 tons. This was an increase of 8.9% over 1966.

Sales reached another record of $32,880,771; this is an increase for the fifteenth consecutive year.

modernization of plant and equipment

During the year, many improvements were implemented at a total cost of $1,637,832.

At Rolland

Part of the wet-end and the dryers of No. 6 machine were changed and modernized;

A speed-up substantially increasing the capacity of No. 8 machine was carried out;

A system for handling clay in bulk was innovated;

A precision sheeter for folio sizes was started in December;

Another step was taken in order to reduce stream pollution. A collecting system was installed at a cost of approximately $100,000 with the objective of recovering fibers and clay particles which were previously lost.

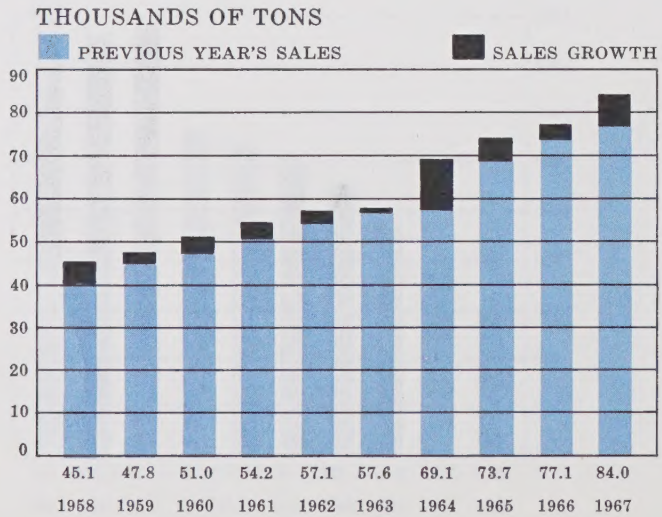
At Coated Paper Division

An additional trailing blade to No. 5 coater was installed;

A sheeter and a winder were added in the finishing room.

Fine & coated papers sold by Rolland

Coated papers included since 1964



financial

Working capital increased by $159,218 to $9,662,439 at December 31, 1967. The ratio of current assets to current liabilities was 2.9 to 1. Your Directors consider the working capital position to be adequate for the present needs of the operations.

An amount of $454,203 was spent to retire and redeem $469,000 of our long-term debt. $300,000 was applied against the 5½% Serial Debentures, 1964 issue, while $169,000 was applied against the 4½% Sinking Fund Bonds. The requirements of the Sinking Fund of this issue are now satisfied until January 2, 1970. An amount of $46,977 was used to purchase on the market and cancel 570 of the outstanding 4¼% Cumulative Redeemable Preferred shares.

Total assets before depreciation increased to $49,964,720 at December 31, 1967 and the rate of return was 3.8%.

personnel

The Company and its employees continued their satisfactory relationships during 1967. Total number of employees reached 1,308 at year-end, an increase of 3.8% over the previous year.

In accordance with our existing collective labour agreement, wage rates in St. Jerome and Mt-Rolland were increased by 10 cents per hour on August 1, 1967. Comparable adjustments were made to salaried employees throughout the organization.

On November 21, 1967, the agreement with the Union representing the employees of Canada Glazed Papers Limited was terminated. Subsequently several negotiation meetings were held. The matter was referred, by both parties, to a Conciliation Officer without reaching an acceptable conclusion. The Union then requested the Minister of Labour to appoint a Conciliation Board, but this application was refused by the Minister on January 31, 1968. At time of writing, no agreement had been reached.

kennedy round of tariff negotiations

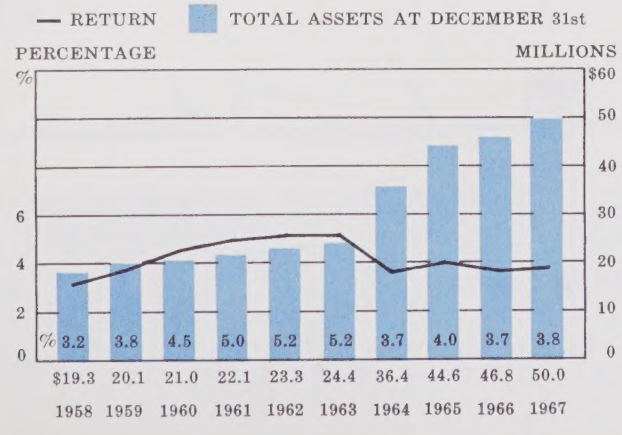
The reduction of tariffs implemented January 1, 1968, under the General Agreement on Tariffs and Trade, will allow foreign producers, and especially those of the U.S.A., easier access to the Canadian market. Under these circumstances, we cannot envisage any general price increases in the foreseeable future.

Improved productivity and efficiency resulting in lower costs will be necessary to meet the double threat of new international competition and reduced profit margins. This could be accomplished by the elimination of some grades and the introduction of longer production runs.

These circumstances will force the Company as well as the Canadian Fine Paper Industry to adopt a completely new philosophy and to introduce a new approach to marketing and production methods.

While old established trade barriers are in the process of being lowered by Government, additional help by way of relaxation of the Provisions of the Anti-Combines Investigation Act would be required to enable the Fine Paper Industry to rationalize production.

Total assets and rate of return



organization

On January 1, 1968, far-reaching organization changes were implemented. Mr. Albert Rolland, Vice-President, Marketing, Mr. Marc Rolland, Vice-President, Manufacturing and Mr. J. A. Weldon, Vice-President, Finance, relinquished their responsibilities after many years of devoted service to the Company. We are fortunate that they will continue their association with the Company as Consultants and will remain as Directors and Vice-Presidents.

Mr. Alphonse St-Jacques, formerly Assistant General Manager and Assistant Treasurer, has been appointed Vice-President and Treasurer.

Mr. Andre Asselin, formerly Production Manager, was appointed Vice-President, Production.

Dr. Hugh M. Craig, formerly General Sales Manager, became Vice-President, Sales and Mr. Jean L. Chollet, formerly Technical Director was appointed Vice-President, Research and Technical Services.

Mr. J. Y. Chartrand, formerly General Superintendent at Mt. Rolland, has been appointed Plant Manager at St. Jerome and Mr. R. Lambert, formerly General Superintendent of Production at St. Jerome, was appointed Assistant Plant Manager at Mt-Rolland.

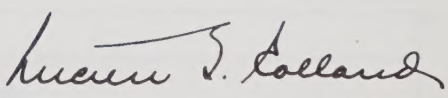
directors

It is with deep regret that we record the death, on January 2, 1968, of Commander K. S. Maclachlan, O.B.E. He had been a Director of the Company since 1950. With a wide experience in the pulp and paper business and a sound judgment, he had made an exceptional and invaluable contribution to the progress of the affairs of the Company in difficult and changing times. He will long be remembered and indeed missed by all his colleagues of the Board.

appreciation

Every man and woman who is part of the Rolland organization has contributed personally to the success of the Company in 1967. The Board wishes to express its sincere appreciation to each of them. The support of shareholders, customers and suppliers is also gratefully acknowledged.

On behalf of the
Board of Directors,



President and
General Manager

Montreal, February 20, 1968.

Rolland Paper Company, Limited

and its subsidiary company

Statement of consolidated income and expense

	Year ended December 31	
	1967	**1966**
NET SALES	**$32,880,771**	$29,935,187
Cost of sales	**25,974,341**	23,970,737
Gross profit	**6,906,430**	5,964,450
Selling and administrative expenses – Note 7	**2,157,578**	1,983,368
Provision for depreciation	**1,148,587**	1,072,238
Bond interest	**569,739**	597,001
	3,875,904	3,652,607
	3,030,526	2,311,843
Investment and other income	**544,952**	460,352
Earnings from operations before income taxes	**3,575,478**	2,772,195
Provision for income taxes – Note 4	**1,723,463**	1,265,915
Net earnings from operations	**1,852,015**	1,506,280
ADD:		
Gain on realization of assets	**12,030**	128,117
Excess of par value over purchase price of bonds and preferred shares redeemed	**24,820**	94,008
NET EARNINGS FOR THE YEAR	**$ 1,888,865**	$1,728,405

Consolidated Balance Sheet

Assets

	at December 31	
	1967	**1966**
CURRENT		
Cash	**$ 1,958,560**	$ 830,179
Short-term investments at cost (market value $4,598,438)	**4,598,438**	3,421,919
Accounts receivable	**2,923,392**	3,487,974
Income taxes recoverable	**161,062**	333,888
Inventories – Note 1	**4,922,399**	4,835,089
Prepaid expenses	**110,093**	135,831
	14,673,944	13,044,880
SPECIAL REFUNDABLE TAX	**88,662**	118,848
INVESTMENT		
Consolidated – Bathurst Limited, common shares at cost (market value $2,734,375)	**5,862,651**	5,862,651
DEFERRED CHARGES	**118,270**	131,329
FIXED		
Property, plant and equipment – Note 2	**16,036,063**	15,539,114
On behalf of the Board: Lucien G. Rolland, *Director* J. A. Weldon, *Director*	**$36,779,590**	$34,696,822

Rolland Paper Company, Limited

and its subsidiary company

Liabilities

		at December 31 1967	1966
CURRENT			
Accounts payable and accrued liabilities		$ 2,997,505	$ 3,241,659
Income taxes		1,714,000	—
Long-term debt instalment due within one year		300,000	300,000
		5,011,505	3,541,659
LONG-TERM DEBT — NOTE 3		9,748,000	10,217,000
PROVISION FOR FUTURE INCOME TAXES — NOTE 4		4,639,144	4,615,565

Shareholders' Equity

CAPITAL — NOTE 5			
AUTHORIZED			
24,800	Preferred shares of $100 each issuable in one or more series		
2,400,000	Class "A" and 800,000 Class "B" shares without nominal or par value		
ISSUED			
14,220	4¼% Cumulative redeemable preferred shares	$1,422,000	
1,360,016	Class "A" and 480,008 Class "B" shares	7,162,683	
		8,584,683	
RETAINED EARNINGS — FOR USE IN THE BUSINESS — NOTE 6		8,796,258	
		17,380,941	16,322,598
		$36,779,590	$34,696,822

Rolland Paper Company, Limited

and its subsidiary company

Statement of consolidated retained earnings

	Year ended December 31	
	1967	**1966**
RETAINED EARNINGS AT BEGINNING OF YEAR	**$7,680,915**	$6,729,512
ADD:		
Net earnings for the year	**1,888,865**	1,728,405
	9,569,780	8,457,917
DEDUCT:		
Dividends		
Preferred shares	**61,513**	64,993
Class "A" shares	**544,006**	544,006
Class "B" shares	**168,003**	168,003
	773,522	777,002
RETAINED EARNINGS AT END OF YEAR	**$8,796,258**	$7,680,915

Statement of consolidated source and application of funds

	Year ended December 31	
	1967	**1966**
SOURCE OF FUNDS		
Cash flow from operations		
Net earnings	**$1,888,865**	$1,728,405
Provision for depreciation	**1,148,587**	1,072,238
Provision for future income taxes	**23,579**	1,192,994
	3,061,031	3,993,637
Decrease of special refundable tax	**30,186**	(118,848)
Decrease in other assets	**5,355**	(68,341)
Funds set aside for expansion project	**—**	490,308
	$3,096,572	$4,296,756
APPLICATION OF FUNDS		
Capital expenditures	**$1,637,832**	$1,156,248
Redemption of preferred shares	**57,000**	201,000
Long-term debt reduction	**469,000**	1,050,000
Dividends	**773,522**	777,002
	2,937,354	3,184,250
INCREASE IN WORKING CAPITAL	**159,218**	1,112,506
	$3,096,572	$4,296,756
WORKING CAPITAL	**$9,662,439**	$9,503,221

Notes to consolidated financial statements

December 31, 1967

Note 1 – INVENTORIES

	1967	1966
Inventories, which are not in excess of net realizable value, comprise:		
Finished paper and paper in process	**$ 3,193,490**	$ 2,926,587
Raw materials, wires, felts and supplies	**1,378,573**	1,592,513
Repair parts and maintenance materials	**350,336**	315,989
	$ 4,922,399	$ 4,835,089

Finished paper and paper in process are valued at manufactured cost, and raw materials, wires, felts and supplies are valued at cost, all applied on the "first in, first out" basis. Repair parts and maintenance materials are valued at cost less amortization.

Note 2 – PROPERTY, PLANT AND EQUIPMENT

	Cost	*Accumulated Depreciation*	*Net 1967*	*Net 1966*
Machinery & equipment	$22,662,503	$10,877,873	**$11,784,630**	$11,325,958
Buildings	6,094,989	2,307,263	**3,787,726**	3,750,449
Water power	300,000	–	**300,000**	300,000
Land	163,707	–	**163,707**	162,707
	$29,221,199	$13,185,136	**$16,036,063**	$15,539,114

Depreciation is provided using the straight-line method at rates designed to amortize the cost of the assets over their estimated useful lives.

Note 3 LONG-TERM DEBT

			1967	1966
First Mortgage Bonds				
4½% Sinking Fund Bonds, 1956 issue, due January 2, 1975		$4,000,000		
Deduct				
Bonds redeemed and cancelled applicable to –				
Sinking Fund Requirements to January 2, 1967	$1,500,000			
Future Sinking Fund Requirements	950,500			
Balance due January 2, 1975	201,500	2,652,000	$1,348,000	$1,517,000
Sinking Fund Requirements $300,000 per annum January 2, 1968-1974 Balance of $400,000 due January 2, 1975				
Debentures – Series "A"				
5½% Serial Debentures, 1964 issue, due $300,000 per annum July 2, 1968-1971			1,200,000	1,500,000
5¾% Sinking Fund Debentures, 1964 issue, due July 2, 1984			7,500,000	7,500,000
Sinking Fund Requirements $300,000 per annum July 2, 1972-1979 $500,000 per annum July 2, 1980-1983 Balance of $3,100,000 due July 2, 1984				
			10,048,000	10,517,000
Deduct				
Instalment due within one year included in current liabilities			300,000	300,000
			$9,748,000	$10,217,000

The declaration of dividends and the redemption of preferred shares are restricted if such declaration or redemption result in a reduction of the working capital to an amount less than $2,000,000.

Note 4 – PROVISION FOR FUTURE INCOME TAXES

Capital cost allowances in excess of the provision for depreciation charged against income will be claimed for tax purposes thereby reducing income taxes otherwise payable for the year by $23,579. This amount has been added to the provision for future income taxes which may be payable in future years.

Note 5 – CAPITAL

The preferred shares of the 4¼% series are redeemable at $104 per share and are non-voting unless four quarterly dividends are in arrears. Class "A" shares are non-voting unless the company fails to pay any dividend thereon for two consecutive years.

Class "A" shares are entitled to a non-cumulative dividend at the rate of 10 cents per share per annum before payment of any dividend on Class "B" shares. If in any fiscal year dividends at the rate of 5 cents per share per annum are paid on Class "B" shares, any further distribution in respect of that fiscal year shall be made equally, share for share, upon all outstanding Class "A" and Class "B" shares.

Note 6 – RETAINED EARNINGS

An amount of $258,000 of retained earnings is restricted under Section 61 of the Canada Corporations Act as a result of the redemption of 2,580 preferred shares of which 570 shares were redeemed in 1967.

Note 7 – DIRECTORS' REMUNERATION

Selling and administrative expenses include remuneration of $151,895 (1966 – $153,900) paid to directors as directors or officers.

Auditors' report to the shareholders

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants
ROYAL BANK BUILDING, PLACE VILLE MARIE,
MONTREAL 2, CANADA

THE SHAREHOLDERS,
ROLLAND PAPER COMPANY, LIMITED,
MONTREAL, QUE.

We have examined the consolidated balance sheet of Rolland Paper Company, Limited and its subsidiary company as at December 31, 1967 and the consolidated statements of income and expense, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

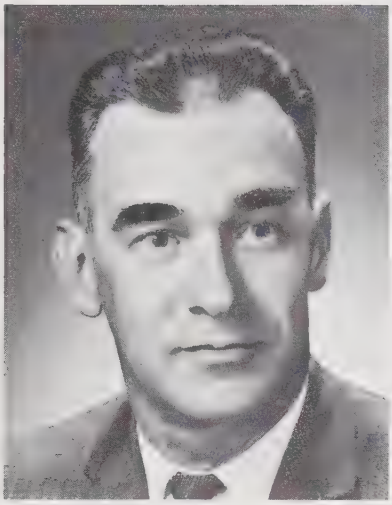
Touche, Ross, Bailey & Smart

Chartered Accountants.

Montreal, Quebec.
January 22, 1968.

Senior Officers

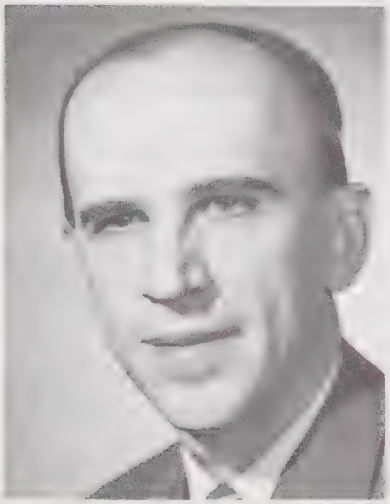
L. G. ROLLAND



A. ASSELIN

J. L. CHOLLET

H. M. CRAIG



A. DEOM

A. ST-JACQUES

Senior officers of the Company now located at the head office, Place Victoria, Montreal. They meet regularly to co-ordinate the operations and to plan the future of the Company.

Ten year comparative statistics

TONNAGE	Sales in tons
SALES AND EARNINGS	Net sales Dividend income Provision for depreciation Bond interest Earnings before income taxes Income taxes Net earnings Cash flow Percentage of net earnings to net sales Percentage of net earnings to total assets
DISTRIBUTION OF EARNINGS	Dividend on preferred shares Dividend on class "A" and "B" shares Retained in the business
PER SHARE*	Net earnings per class "A" share Dividend per class "A" share Cash flow per class "A" share Book value class "A" and "B" shares
FINANCIAL	Assets: Working capital Investment in securities Properties, net Other assets Total working capital and other assets Financed by: Long-term debt Provision for future income taxes Preferred shares Class "A" and "B" shareholders' equity Ratio of current assets to current liabilities Capital expenditures
OTHER STATISTICS	Number of shareholders Number of employees

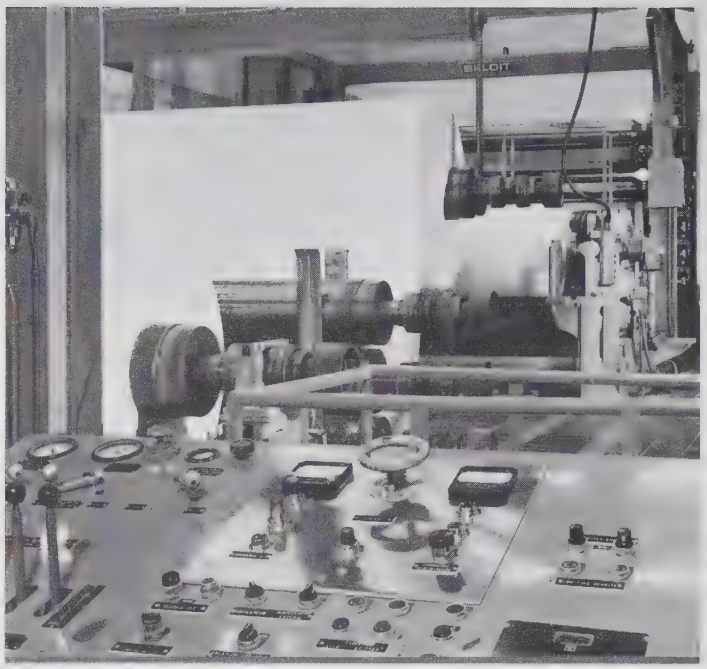
NOTE:

Results of Canada Glazed Papers Limited are included from February 24, 1964.

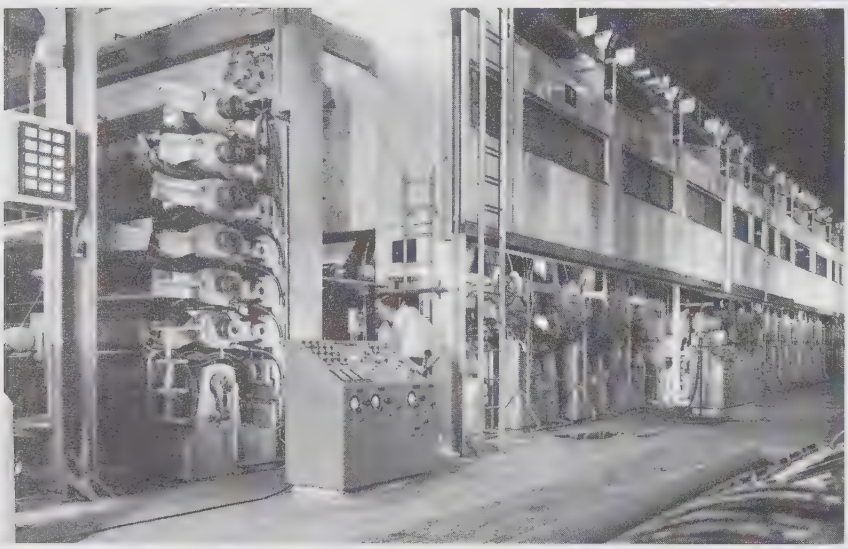
*Net earnings, dividend and cash flow per class "B" share are 5 cents less than per class "A" share.

*1965 per share calculated on average number of shares for the year.

1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
83,972	77,107	73,701	69,120	57,603	57,071	54,195	50,978	47,788	45,059
$32,880,771	$29,935,187	$28,290,544	$26,032,008	$20,633,530	$20,455,394	$19,379,905	$18,137,985	$16,954,767	$15,799,601
250,000	262,500	184,375	—	—	—	—	—	—	—
1,148,587	1,072,238	817,640	698,358	559,077	534,970	558,821	521,133	520,575	544,935
569,739	597,001	638,021	372,386	144,654	153,985	160,752	186,990	205,649	219,745
3,612,328	2,994,320	3,297,750	2,759,939	2,586,179	2,468,021	2,235,482	1,875,855	1,470,736	1,132,295
1,723,463	1,265,915	1,531,424	1,420,628	1,310,063	1,263,796	1,125,503	930,777	712,307	517,000
1,888,865	1,728,405	1,766,326	1,339,311	1,276,116	1,204,225	1,109,979	945,078	758,429	615,295
3,061,031	3,993,637	4,115,390	2,397,169	1,948,293	1,915,595	1,763,000	1,580,311	1,423,604	1,334,530
5.7%	5.8%	6.2%	5.1%	6.2%	5.9%	5.7%	5.2%	4.5%	3.9%
3.8%	3.7%	4.0%	3.7%	5.2%	5.2%	5.0%	4.5%	3.8%	3.2%
$ 61,513	$ 64,993	$ 71,400	$ 71,400	$ 71,400	$ 71,400	$ 71,400	$ 71,825	$ 72,250	$ 72,250
712,009	712,009	490,507	408,007	408,007	336,006	327,005	201,003	156,003	120,002
1,115,343	951,403	1,204,419	859,904	796,709	796,819	711,574	672,250	530,176	423,043
$ 1.01	$ .92	$ 1.00	$ .90	$ .85	$ .80	$ .74	$ .62	$ .49	$ .39
.40	.40	.30	.30	.30	.25	.24	.16	.13	.10
1.64	2.15	2.36	1.63	1.32	1.30	1.19	1.06	.96	.89
8.64	8.03	8.02	4.69	5.06	4.50	3.94	3.44	2.97	2.60
$ 9,662,439	$ 9,503,221	$ 8,390,715	$ 5,521,002	$ 5,020,416	$ 4,426,081	$ 3,994,244	$ 4,196,855	$ 3,750,958	$ 3,301,591
5,862,651	5,862,651	5,862,651	—	—	—	—	—	—	—
16,036,063	15,539,114	15,446,181	11,160,751	8,128,535	8,097,641	7,725,021	7,298,313	7,325,276	7,476,902
206,932	250,177	562,219	5,225,103	46,379	35,799	47,537	38,860	36,444	46,409
31,768,085	31,155,163	30,261,766	21,906,856	13,195,330	12,559,521	11,766,802	11,534,028	11,112,678	10,824,902
9,748,000	10,217,000	11,267,000	11,879,500	3,077,000	3,351,000	3,531,500	4,104,500	4,449,500	4,836,500
4,639,144	4,615,565	3,422,571	1,522,231	1,117,600	1,004,500	828,100	733,900	619,800	475,200
1,422,000	1,479,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,700,000	1,700,000
15,958,941	14,843,598	13,892,195	6,825,125	7,320,730	6,524,021	5,727,202	5,015,628	4,343,378	3,813,202
31,768,085	31,155,163	30,261,766	21,906,856	13,195,330	12,559,521	11,766,802	11,534,028	11,112,678	10,824,902
2.9:1	3.7:1	3.6:1	2.3:1	2.9:1	2.7:1	2.5:1	2.8:1	2.6:1	2.4:1
$ 1,637,832	$ 1,156,248	$ 5,143,892	$ 3,007,178	$ 591,885	$ 907,746	$ 1,011,293	$ 495,478	$ 369,532	$ 499,451
2,343	2,491	2,518	2,331	1,889	1,839	1,633	1,021	1,037	1,049
1,308	1,260	1,163	1,121	877	905	872	875	874	881



Rolls of high quality paper made on our no. 8 paper machine.



Drying and calendering sections of our no. 8 paper machine.

Section of our research and development laboratory in St. Jerome.

The paper used for this report is
Imperial Offset Enamel, White, 240M,
Ropaco Offset, White, 160M and Blue, 140M.

FROM: Jack K. Mitchell
Industrial PR
1500 Stanley St.
Montreal
Tel: 514 842-8145

Mrs Mackenzie
then file

FOR RELEASE AT 11:00 A.M.

THURSDAY, MARCH 28, 1968

Text of the remarks by Lucien G. Rolland, president and general manager, at the 40th annual meeting of Rolland Paper Company Limited in Montreal on Thursday, March 28, 1968, is attached.

ROLLAND PAPER COMPANY, LIMITED

ANNUAL GENERAL MEETING OF SHAREHOLDERS

MARCH 28, 1968

PRESIDENT'S REMARKS

Before asking for your approval of the Annual Report and of the financial statements, I should like to say a few words.

The demand for Fine Papers has continued to increase. The Industry records an increase of 10.6% in volume for the first two months of 1968. Because of a drop in export sales the Company's increase is only 3.4%.

Earnings however show a reduction of 25% for the same period. There are three main reasons:

1.- Following the installation of a second trailing blade coating head on one the coaters at Canada Glazed Papers Limited, we are experiencing a period of adjustment in which lower manufacturing efficiency has resulted in higher costs. We expect this situation to improve over the next several months.

2.- The reduction in dividends from Consolidated Paper means an annual reduction in earnings of $125,000 or 6.8 cents per share.

3.- The net effect of the last Federal Government budget also means an annual reduction in earnings of about $37,000 or 2 cents per share.

Since the publication of our Annual Report we have settled our labour negotiations at Canada Glazed on approximately the pattern set earlier by our competitors. The increased annual cost of the settlement which is retroactive to November 21, 1967, will be $100,000.

The labour agreements with Unions representing employees at the St. Jerome and Mt-Rolland mills, terminate, as most agreements in the Eastern Canadian Pulp and Paper Industry, on April 30th.

In the continuing study of our future expansion programme, we must consider some factors which are relatively new, for instance: the need to compete on international markets following tariff reductions conceded by Gatt members during the Kennedy Round, and the consequent need to reduce costs through the elimination of some grades, the specialization of equipment and the intensive training of man-power.

In our feasibility study, one of the possible locations for a new paper machine, besides Mont-Rolland and St-Jerome, appears to be near the new Consolidated-Bathurst pulp mill in Pontiac County, which has the advantage of being close to our new source of raw materials and would thus offer some of the advantages of an integrated pulp and paper mill operation. Furthermore, this would decentralize production facilities. Finally this location would provide us with the possibility of operating on a continuous seven-day basis with the economic benefits that accrue from such a schedule of operation. Consequently, the Company took an option on a 50 acre site adjacent to the Consolidated-Bathurst mill in Pontiac.

During the last month, we started to receive from Pontiac limited quantities of softwood bleached kraft pulp of good quality. The mill has now started production of hardwood bleached pulp which we also intend to purchase and use extensively, in accordance with long-term contracts signed two years ago.

At the end of February, the four major Canadian Fine Paper Producers presented a brief to the Federal Government. Following the recommendation contained in the Brief, a committee composed of representatives of both government and industry will be formed to study the problems arising out of tariff reductions. Amongst others, it is hoped that problems of rationalization will be studied by this committee. Another important assignment could be an assessment of the opportunities to penetrate new markets with Canadian Fine Paper products.

Last year, an amount of $40,660 was given to various charitable institutions. This represents 1.14% of income before taxes. I think it is worth mentioning that these amounts are not given away for the purpose of securing goodwill. We are trying, as best as we can, to participate in the endeavours of the community in which we live, and in the attainment of objectives in which we believe.

I would like to take this opportunity to express my appreciation to my colleagues of the Board of Directors for their constant support, to the members of the management team for their participation in running the affairs of the Company, and to all employees for the competent and efficient discharge of the responsibilities that have fallen on their shoulders during this past year.

PITFIELD, MACKAY, ROSS & COMPANY
LIMITED

RESEARCH BRIEF

ROLLAND PAPER CO. LIMITED

Price 'A' March 1, 1968	Earnings per share (Years ended December 31) 1966	1967	1968(est.)	P. E. Ratio (on 1968 est.)	Indicated dividend	Yield
$7 1/4	$0.92	$1.01	$1.05	6.9X	$0.40	5.5%

The Company — Rolland Paper Co. Limited is one of Canada's largest producers and distributors of fine, coated, printed, fancy and specialized papers. Its main plants are at Mont Rolland and St. Jerome, Quebec. A wholly-owned subsidiary, Canada Glazed Papers is located in Scarborough, Ontario.

The Fine Paper Industry — Growth in the fine paper industry has averaged about 10% a year for the last ten years. Unlike the pulp and newsprint industries, which, due to overcapacity and increased labour costs, have had reduced earnings, the fine paper industry can look forward to continued growth of from 5% to 8% per year. The industry in Canada is supplied almost wholly by Canadian paper mills, with only a limited quantity of specialty paper being imported.

Sales — The Company has experienced strong sales growth averaging 7.8% per year and rising from 57,100 tons in 1962 to 77,100 tons in 1966. Due to the rising price of fine paper, the dollar value of sales has increased by 10.0% annually from $20.4 million in 1962 to $32.9 million in 1967.

Earnings — Net earnings have increased from $1.2 million in 1962 to $1.9 million in 1967, an average annual increase of about 9.8%. The Company's earnings growth was interrupted in 1966 as earnings dropped from $1.00 to $0.92 per 'A' share due to nonrecurring start-up costs of new facilities at Canada Glazed Paper and a strike at the Quebec plants. However, in 1967, earnings increased by 10.7% to $1.9 million. Future earnings growth is expected to be of the order of 8% to 10% per year, but could be somewhat lower, depending on the long term effects of the recent Kennedy Round cut in tariffs on fine paper. We estimate 1968 earnings at $1.05 to $1.10 per 'A' share.

Kennedy Round Tariff Implications — The Company's earnings could be adversely affected by the reduction of duties on imports of paper products into Canada. The chief reductions likely to offset the Company are the reductions of tariffs on coated papers from 22½% to 15%, and on printing papers, from 22½% to 12½%.

The effect of tariff reductions by the Canadian government could be offset by tariff reductions of other countries which might stimulate exports. The United States, for example has made a 50% reduction of the tariff on all paper and paper products, and many European Common Market members have reduced tariffs on paper products by 25%. The ultimate effect of the Kennedy Round agreement on the Company may not be known for some time.

This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. The information set forth herein is drawn from company reports, Dominion Bureau of Statistics publications and other sources, but is not guaranteed as to accuracy or completeness and the furnishing thereof is not and under no circumstances is to be construed as a representation of Pitfield, Mackay, Ross & Company Limited. This report is furnished on the basis and understanding that Pitfield, Mackay, Ross & Company Limited is to be under no responsibility or liability whatsoever in respect thereof. The inventories of Pitfield, Mackay, Ross & Company Limited may from time to time include securities mentioned herein.

	Actual					Est.
	1963	1964	1965	1966	1967	1968
Sales revenues ($'000)	$20,633	$26,032	$28,291	$29,953	$32,881	$35,900
% increase	8.6%	21.0%	8.7%	5.5%	10.2%	9.0%
Operating profit	$ 3,205	$ 3,626	$ 4,252	$ 3,981	$ 5,331	$ 5,200
Pre-tax profit	2,586	2,759	3,297	2,994	3,612	3,850
Net profit	$ 1,276	$ 1,339	$ 1,766	$ 1,728	$ 1,889	$ 1,950
% increase (decrease)	5.6%	4.7%	24.1%	(2.1%)	10.7%	4.4%
Net to common	$ 1,205	$ 1,268	$ 1,695	$ 1,663	$ 1,827	$ 1,908
Number of shares ('000) 'A'	960	960	1,360	1,360	1,360	1,360
'B'	480	480	480	480	480	480
Net per share 'A'	$ 0.85	$ 0.90	$ 1.00	$ 0.92	$ 1.01	$ 1.05
'B'	0.80	0.85	0.95	0.87	0.96	1.00
Dividends 'A'	0.30	0.30	0.30	0.40	0.40	0.40
'B'	0.25	0.25	0.25	0.35	0.35	0.35
Apparent tax rate	50.6%	51.4%	46.4%	42.2%	47.6%	49.4%
Operating profit margin	15.5%	13.9%	15.0%	13.3%	14.6%	14.5%
Net margin	6.2%	5.1%	6.2%	5.8%	5.6%	5.4%

Affiliation with Consolidated-Bathurst Limited — Consolidated-Bathurst Limited owns 34% of the Class 'A' shares of Rolland, and Rolland owns about 1.7% of the common shares of Consolidated-Bathurst. The two companies have a close relationship and have made an agreement which includes the exchange of technical aid and a joint participation in possible ventures in fine papers. Rolland has also agreed to purchase most of its bleached chemical pulp requirements from Consolidated-Bathurst's new kraft mill in Quebec.

Dividends — A quarterly dividend of $0.10 per share has been established on the Class 'A' shares giving an annual rate of $0.40 per share, and an attractive yield of 5.5%. The dividend rate has been increased in four of the last six years, and we would expect future dividend increases as earnings continue to grow.

Market Action and Evaluation — After reaching a high of $12\frac{1}{2}$ in July 1967, the Class 'A' stock has declined steadily to a seven year low of $6 7/8 despite the earnings growth during this period. At its current price of $7\frac{1}{4}$, the stock sells at 6.8 times 1967 earnings and 6.9 times estimated 1968 earnings of $1.05 per share (fully-taxed). The yield on the $0.40 dividend is 5.5%.

The stock has historically sold at multiples of between 10 and 14 times earnings, and the present low multiple is probably due to the political situation in Quebec, and the fact that the paper industry in general has fallen into disfavour with Canadian investors. It should be noted, however, that the fine paper industry is by no means experiencing the same problems as those prevalent in the pulp and paper industry.

Comment — Rolland's sales and earnings are rising steadily and are expected to continue to grow by about 9% in 1968, although this could be reduced as a result of the Kennedy Round tariff changes. The price of the shares has failed to appreciate along with the earnings growth of 1967 and the expected growth for 1968.

In our opinion, the shares are undervalued and may be purchased for above average income and longer term capital appreciation.

Toronto, Ontario
March 1, 1968

The following list includes the name of every director of Pitfield, Mackay, Ross & Company Limited and of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Pitfield, Mackay, Ross & Company Limited: A. S. Torrey, S. J. Langill, K. M. Sedgewick, W. C. Pitfield, E. F. C. Kinnear, P. J. Smith, R. L. Hunter, D. L. Torrey, W. Y. Soper, J. M. Arbour, H. H. Mackay, J. M. McAvity, W. G. Pavey, D. J. Langill, H. A. Wheeler, K. A. Wright, D. C. Mackay, C. B. Loewen, A. F. MacAllaster, D. G. Ross, E. R. Pope, T. H. Baker, B. E. Thompson.

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Rolland Paper Company, Limited

Interim Statement of Source and Application of Funds

	Six months ended 30th June, 1967	1966
SOURCE OF FUNDS		
Net earnings	$ 1,159,974	$ 823,013
Depreciation	590,082	559,185
Future income taxes	—	577,555
Funds set aside for expansion project	—	166,792
	1,750,056	2,126,545
APPLICATION OF FUNDS		
Capital expenditures	1,015,713	489,778
Redemption of preferred shares	57,000	201,000
Special refundable tax	45,997	25,430
Long-term debt reduction	121,500	379,000
Dividends	387,301	389,569
Increase in other assets	162,992	156,612
	1,790,503	1,641,389
CHANGE IN WORKING CAPITAL	— 40,447	+ 485,156
	$ 1,750,056	$ 2,126,545

COMPAGNIE DE PAPIER ROLLAND, LIMITÉE
État intérimaire des revenus

	Six mois terminés le 30 juin	
	1967	1966
Ventes nettes	$17,197,575	$14,911,670
Excédent de la valeur nominale sur le coût d'achat d'obligations et d'actions privilégiées rachetées au cours de l'exercice	20,496	60,852
Provision pour amortissement	590,082	559,185
Intérêts des obligations	290,450	304,304
Bénéfices avant déduction des impôts	2,205,145	1,475,468
Provision pour impôts sur le revenu	1,045,171	652,455
Bénéfices nets	1,159,974	823,013
Bénéfices nets par action de classe "A"	62.0 cents	43.7 cents
Bénéfices nets par action de classe "B"	59.5 cents	41.2 cents

Aux détenteurs d'actions de classe "A" et de classe "B"

Pour la période se terminant le 30 juin 1967, les ventes consolidées atteignirent $17,197,575 comparativement à $14,911,670 l'an dernier et les bénéfices nets après impôts furent de $1,159,974 en regard de $823,013.

On ne prévoit pas que cette comparaison favorable avec les résultats de l'an dernier se maintienne. Pendant les premiers six mois de 1966, la mise en marche de la nouvelle machine no 8 et les grèves à chacune de nos usines durant les mois de mai, juin et juillet, ont affecté les ventes et les bénéfices. De plus, en accord avec les clauses de nos conventions collectives, les salaires seront majorés de 10¢ de l'heure le 1er août de cette année.

Lucien G. Rolland,
Président Directeur général

Montréal, le 28 juillet 1967.

Compagnie de Papier Rolland, Limitée

English on the reverse side

Compagnie de Papier Rolland, Limitée

État intérimaire de provenance et d'utilisation des fonds

	Six mois terminés le 30 juin 1967	1966
PROVENANCE DES FONDS		
Bénéfices nets	$ 1,159,974	$ 823,013
Amortissement	590,082	559,185
Impôts futurs	—	577,555
Produit des dépôts destinés à compléter le programme d'expansion	—	166,792
	1,750,056	2,126,545
UTILISATION DES FONDS		
Dépenses d'immobilisation	1,015,713	489,778
Rachat d'actions privilégiées	57,000	201,000
Impôt spécial remboursable	45,997	25,430
Réduction de la dette à long terme	121,500	379,000
Dividendes	387,301	389,569
Augmentation-autres actifs	162,992	156,612
	1,790,503	1,641,389
CHANGEMENT AU FONDS DE ROULEMENT	— 40,447	+ 485,156
	$ 1,750,056	$ 2,126,545

ROLLAND PAPER COMPANY, LIMITED
Interim Statement of Income

	Six months ended 30th June, 1967	1966
Net Sales	$ 17,197,575	$14,911,670
Excess of par value over purchase price of bonds and preferred shares redeemed during the year	20,496	60,852
Provision for depreciation	590,082	559,185
Bond interest	290,450	304,304
Earnings before income taxes	2,205,145	1,475,468
Provision for income taxes	1,045,171	652,455
Net earnings	1,159,974	823,013
Net earnings per class "A" share	62.0 cents	43.7 cents
Net earnings per class "B" share	59.5 cents	41.2 cents

To the holders of class "A" and class "B" shares

For the period ended June 30, 1967, consolidated sales were $17,197,575 as compared to $14,911,670 last year, and net earnings after taxes were $1,159,974 as compared to $823,013.

The favourable comparison with last year is not expected to continue. In the early months of 1966, the start-up of the new No. 8 machine and strikes in each of our plants in May, June and July affected both sales and earnings. Moreover, according to the terms of our labour contracts, an increase of 10¢ an hour will be granted on August 1st of this year.

Lucien G. Rolland,
President & General Manager.

Montreal, July 28, 1967.

Rolland Paper Company, Limited

Français au verso